



Director of  
Central  
Intelligence



# National Intelligence Daily

**Friday**  
**27 March 1987**



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CPAS NID 87-071JX

27 March 1987

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**NICARAGUA:****Sandinistas Respond to Rebel Attacks**

*The Sandinistas have strengthened their defenses in the northwest but are facing increased rebel activity in the southeast.* [redacted]

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In central Zelaya, elements of several Sandinista battalions recently clashed with guerrillas while sweeping an area where rebel airdrops have occurred. [redacted]

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Meanwhile, the pace of rebel infiltration into Nicaragua has slowed. [redacted] the number of Nicaraguan Democratic Force troops inside Nicaragua last week was 10,700, virtually unchanged from late February. [redacted]

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[redacted] More than 5,000 other FDN combatants remain in Honduras. The other insurgent groups continue to maintain some 1,500 men in Nicaragua. [redacted]

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**Comment:** [redacted]

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[redacted] the Sandinista reinforcement of Esteli and Nueva Segovia will stretch government defenses in the southeast. Resupplied rebels there—some inactive for months—will probably increase their operations now that no counterinsurgency battalions apparently remain south of Rama. [redacted]

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Territorial Waters and Continental Shelf Dispute in the Aegean



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**TURKEY-GREECE: Oil Drilling Dispute**

***A dispute between Turkey and Greece over oil drilling rights in the Aegean continues to escalate, and both sides may now find it increasingly difficult to back down.*** [redacted]

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[redacted] The Turkish Government yesterday authorized the state-owned Turkish Petroleum Corporation to drill for oil in international waters in the Aegean Sea, according to press reports. The decision came after Greece reasserted that it has the right to drill outside its territorial waters because it considers the 1976 Bern agreement—which calls for a moratorium on exploration in contested areas—to have lapsed.

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[redacted] In a letter to the UN Security Council justifying its actions, Ankara noted that the Greek Government had declared its intention to take control of the North Aegean Petroleum Company, an international consortium, and then drill in international waters. In the meantime, Greece is conducting military exercises involving the Greek islands of Samos and Ikaria, and, according to the press, Turkey has placed its Fourth Army, based on the Aegean coast, on partial alert. [redacted]

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**Comment:** Athens probably never intended to drill in international waters—which it knows would provoke Turkey—and may have hoped that its pending takeover of the international petroleum company would prevent the firm from exercising its options there. Now that it has been challenged by Ankara, however, Athens probably sees little option but to restate its long-held claims to the area. [redacted]

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The Turks have aggressively pursued their “injury” on the issue, probably because they do not trust the Greeks and because they think they have a stronger case. Neither side will find it easy to back down without the aid of a third-party mediator. [redacted]

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With emotions high, the military exercises—probably long-planned—and the corresponding alert increase the danger of an accidental clash. [redacted]

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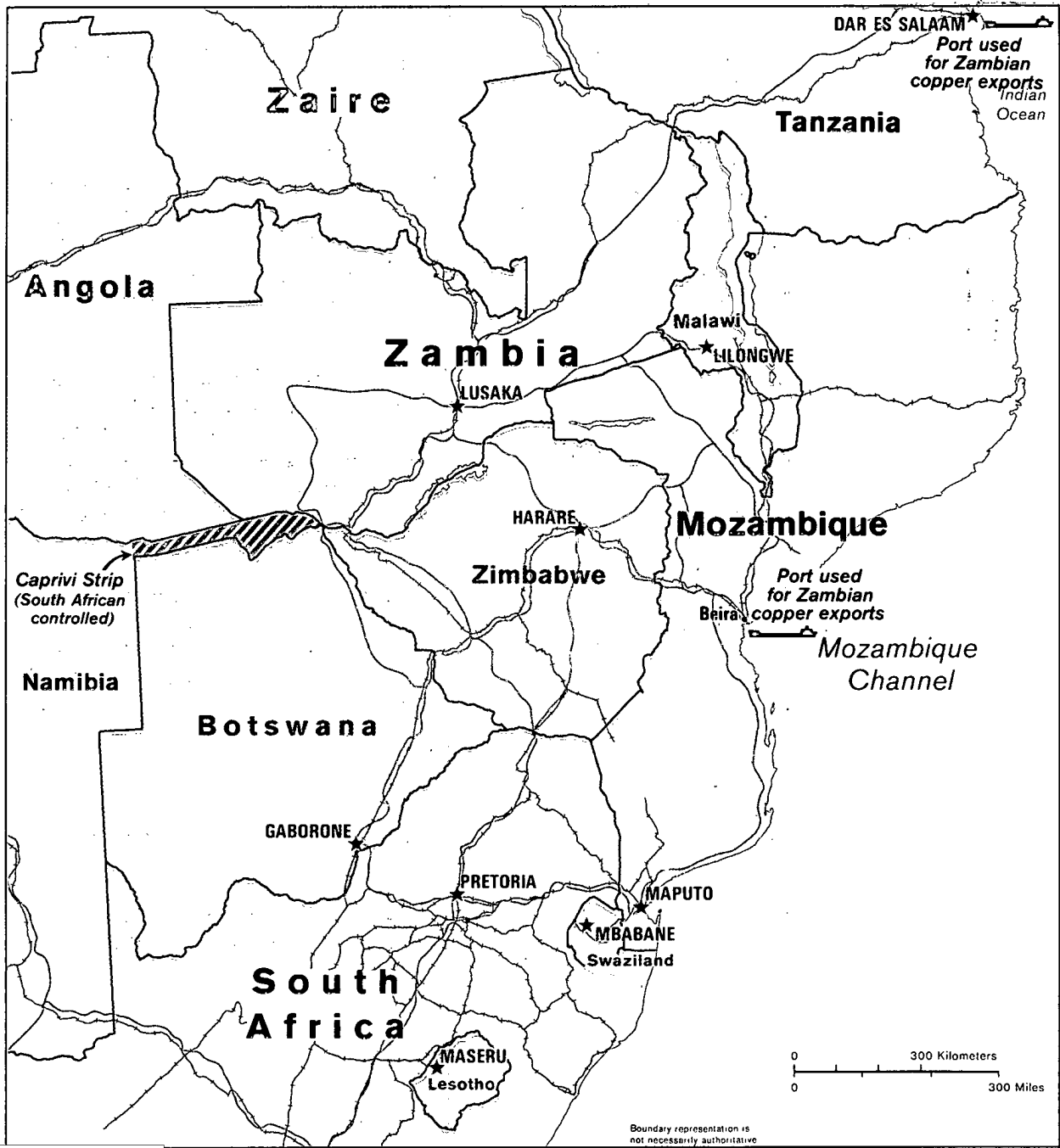
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**ZAMBIA:****Kaunda's Troubles Persist**

***President Kaunda will feel increasingly vulnerable to South African economic and security threats as his domestic troubles intensify.*** [redacted]

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[redacted] roughly 10,000 tons of Zambian copper are no longer exported through South Africa each month but are being diverted to Beira, Mozambique, and Dar es Salaam, Tanzania. Copper exports, which totaled about 460,000 tons in 1986, account for 90 percent of Zambia's export earnings. [redacted]

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**Comment:** Pretoria will probably not retaliate for Zambia's diversion of copper exports, but it will almost certainly support Zambian dissidents in order to keep pressure on Lusaka to curtail the ANC's activities. The gradual diversion of copper over the past few months helps to bring Zambia closer to its longstanding goal of reducing its economic dependence on South Africa, but other Zambian exports—such as coffee, cotton, and tobacco—as well as essential imports still transit South Africa, ensuring Zambia's continued reliance on Pretoria. [redacted]

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South Africa's comparative technological advantage in the mining field and Zambia's dependence on mineral exports will also probably frustrate the government's efforts to procure equipment elsewhere. Moreover, the diversion of copper shipments to the less reliable ports in Tanzania and Mozambique is likely to result in reduced exports and foreign exchange earnings, a situation that will compound Kaunda's economic troubles. [redacted]

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The government's inability to end the wildcat strikes reflects the gradual erosion of Kaunda's authority. His willingness to roll back prices after the food price riots in December probably convinced workers he would prefer to compromise rather than to confront the unions. [redacted]

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*CW***USSR: Shcherbitskiy Holding On**

Ukrainian Republic party boss Vladimir Shcherbitskiy remains in office at the close of a two-day republic party central committee plenum despite widespread rumors that General Secretary Gorbachev hoped to engineer his ouster. An apparent ally of Shcherbitskiy was promoted to the party secretariat at the meeting, and a less enthusiastic supporter was sent back to a regional post. In the month before the plenum, however, two proteges of Shcherbitskiy were removed as regional first secretaries.

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**Comment:** The apparent struggle for control of the Ukrainian party may continue for months. The removal of two regional party chiefs who had close ties to Shcherbitskiy may undermine his position. His losses have been tempered in recent months, however, by the promotion of apparent allies to key posts in Moscow and Kiev. Shcherbitskiy has lent public support to Gorbachev's domestic programs, thereby denying the General Secretary a pretext to push for his removal over domestic policy disagreements.

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**PORTUGAL: Motion of Censure**

Former Portuguese President Eanes's Democratic Renewal Party will bring a motion of censure against the conservative Social Democratic minority government, which, if passed, could lead to a new election. Democratic Renewal has said it will present the motion late next week before President Soares returns on 6 April from his trip to Brazil. If the motion passes with the required absolute majority of parliamentary votes, the President can either ask another party leader to try to form a government or call a new election.

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**Comment:** Given its eroding public support, Democratic Renewal may believe that it has nothing to lose in provoking a government crisis and that, if an election is held, it can capitalize on Eanes's popularity. It may also believe the censure motion will force the Socialists, currently the chief opposition party, to cooperate in a coalition of the left rather than alienate their hardcore constituency by siding with the government. Prime Minister Silva and his Social Democrats stand to gain the most if an election is called, however, because opinion polls currently put their strength at about 40 percent of the electorate.

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**HAITI: Constitutional Referendum on Schedule**

Haitian President Namphy has told the US Ambassador that he has no plans to delay the constitutional referendum scheduled for Sunday despite his earlier misgivings about the draft document's provisions.

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Meanwhile, more than a dozen senior military officers have been reassigned, and acting chief of staff Beliotte has been removed, according to press reports.

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**Comment:** The ruling council's initiatives to promote voter interest probably will increase turnout in the election. Voter participation in the Constituent Assembly election in October was less than 10 percent of the electorate, largely because of the ruling council's poor preparations. The military reshuffle may ease disunity in the armed forces but will not quickly improve their capability to contain unrest. The apparent popularity of the draft constitution, however, probably will minimize violence during the election.

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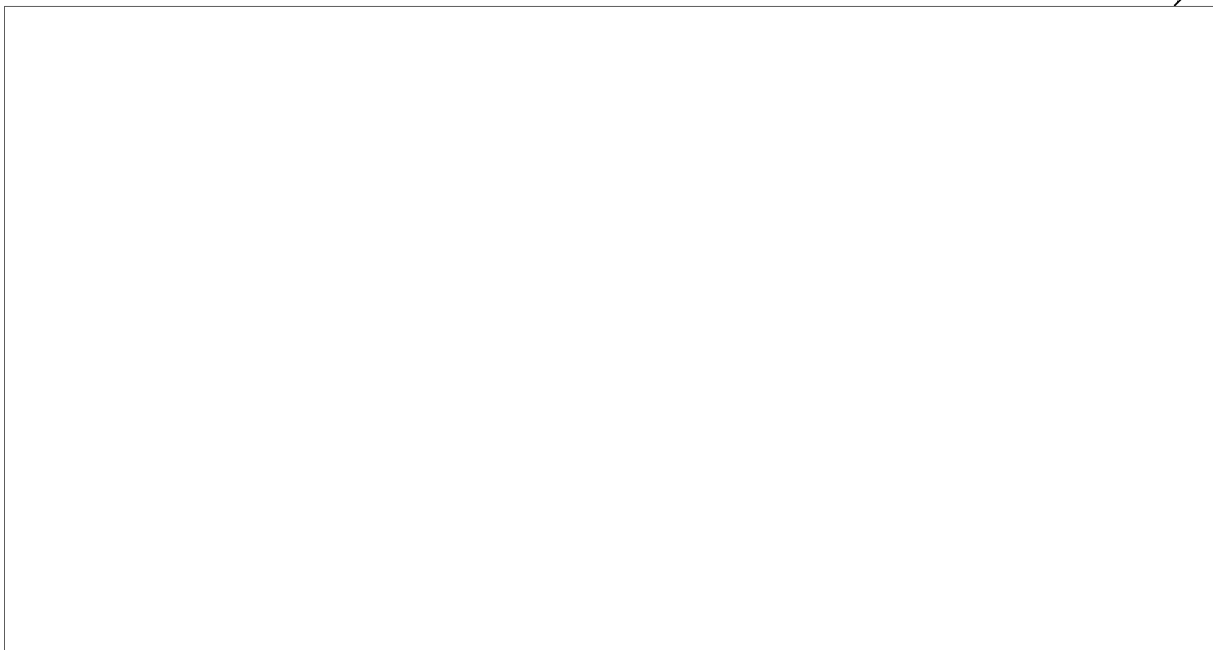
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**SYRIA-LEBANON: Tenuous Peace**

Syrian President Assad's meeting with three senior Lebanese Hizballah clerics probably signals his desire to lower tensions in Beirut. [redacted]

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[redacted] Meanwhile, the new Iranian Ambassador in Beirut has recommended that anti-Syrian agitation cease, but he argues that Hizballah should be strengthened for an eventual showdown with the Syrians and rival Lebanese militias. [redacted]

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**Comment:** Damascus is willing to avoid a costly military confrontation over the southern suburbs and appears to be using diplomacy to help expand its security plan. Despite Assad's participation in the talks, the meeting in Damascus probably was primarily a good-faith gesture to please Syria's Iranian allies. While both sides probably agreed not to fight, inadvertent clashes could easily undermine the peace. [redacted]

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**In Brief****USSR**

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**Americas**

— **France** sending additional Army company to **French Guiana** next week . . . will be used to patrol border with **Suriname** . . . deployment probably prompted by concern about refugee flow, security of space launch center. [redacted]

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Regional Army commander Javier Pichardo replacing **Nicaragua's** ailing [redacted] probably selected for managerial expertise . . . signals no major changes in policies, tactics. [redacted]

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**Middle East**

**Tunisia** yesterday severed diplomatic relations with **Iran**, citing subversive activities by Iranian Embassy . . . move unlikely to curb growing Islamic fundamentalist activity in Tunisia. [redacted]

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**Africa****Europe**

**West German** Foreign Minister Genscher pushing East-West trade as topic for Venice Summit, [redacted] . . . campaigning for positive Western response to Gorbachev . . . Economics Minister will probably go along. [redacted]

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**Participants' Views on Afghan Settlement**

	<b>Views on Soviet Withdrawal Timetable</b>	<b>Views on Future Afghan Government</b>
<b>Soviets</b>	Further reduction in withdrawal timetable probably contingent on prior agreement on future Afghan government.	Coalition government must be negotiated with and dominated by the present Afghan regime.
<b>Afghan regime</b>	Opposed to any withdrawal; forced by Soviets to propose 18 months.	Wants no government it cannot dominate.
<b>Resistance</b>	Demands short, logistically based timetable; some leaders might agree to timetable of up to 12 months.	Probably would agree to some Communist participation in an interim government if accompanied by complete Soviet withdrawal and Najib's ouster.
<b>Pakistan</b>	Proposed seven-month timetable; would probably accept 12 months.	Communists can be represented, but government must be headed by non-Communist acceptable to most resistance groups.

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**Special Analysis****AFGHANISTAN-  
PAKISTAN-USSR:****Dim Settlement Prospects**

*Despite progress on the timetable for Soviet withdrawal, chances are slim that the Afghan conflict will be settled soon because the major players remain far apart on the composition of a future government in Kabul.* [redacted]

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During the round of negotiations that ended in Geneva this month, Afghanistan offered a Soviet troop withdrawal timetable of 18 months, and Pakistan responded with seven months. ~~The UN negotiator mediating the talks~~ did not announce a firm date for resumption but said a two-month adjournment is expected. [redacted]

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**The Views From Moscow, Kabul**

Moscow has so far insisted that the Afghan Communist Party must be the dominant player in a coalition and that the Afghan resistance must negotiate with Kabul. The Soviets may try to use Kabul's 18-month withdrawal proposal, now public, to increase international pressure on the resistance and its supporters to agree to a settlement on Moscow's terms, a tactic they have already tried with Afghan leader Najib's national reconciliation and cease-fire initiatives. [redacted]

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The Soviets may also conclude that the general failure of Najib's initiatives means their sights in Afghanistan must be lowered. [redacted]

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[redacted] Moscow is considering a coalition in which their clients are not the dominant party—a position that probably would be acceptable to some resistance leaders. There is no evidence the Soviet leadership, however, has made the difficult decision between keeping troops in Afghanistan indefinitely and accepting the "demotion" or even abandonment of the present regime. [redacted]

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Kabul almost certainly is relieved that the Geneva talks were inconclusive. Discussion of Soviet withdrawal has loosened party loyalty at all levels and intensified factionalism. With the Geneva session concluded, ~~US officials report that~~ Najib may convoke a plenum to focus on establishing the dominance of his Parchami faction—at the risk of a head-on confrontation with the rival Khalqis—to create a more stable and effective government. He probably believes that a Parchami-dominated regime would make it more difficult for the Soviets to broker a coalition government at Geneva—neither Pakistan nor the insurgents would deal with Najib—which could, in turn, pave the way for a Soviet withdrawal. [redacted]

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**The Insurgents' and Pakistanis' Views**

The insurgents probably are worried by the narrow gap of 11 months between the two proposed withdrawal timetables. The guerrilla leaders believe—probably accurately—that Islamabad would settle for a 12-month deal. Prior to the next Geneva session—due in May,

[ ] the resistance is likely to maintain a high level of combat activity to maintain military pressure on the Soviets and increase efforts to establish weapon stockpiles in Afghanistan in case Islamabad reduces or cuts off supplies. [ ]

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Pakistan's basic objectives remain the withdrawal of Soviet forces from Afghanistan and the return of the Afghan refugees. Islamabad realizes that a short withdrawal time frame and a non-Communist interim government in Kabul are necessary for securing resistance and refugee cooperation with any peace settlement. Islamabad insists that Najib be excluded from any national reconciliation government, but some Communist participation in an interim government headed by a non-Communist would almost certainly be acceptable to the Pakistanis. [ ]

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**Outlook**

The four major participants remain far apart on the composition of a reconciliation Afghan government, and this will probably delay agreement on a withdrawal timetable when the Geneva talks resume. [ ]

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~~Pakistani President Zia has told US diplomats that standing firm in 1987 may produce a settlement in 1988.~~ [ ] is probably also concerned, however, about increased airstrikes from Afghanistan on Pakistani border villages and how these attacks will affect domestic Pakistani attitudes on Islamabad's Afghan policy. [ ]

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**Special Analysis****YUGOSLAVIA:****Debt Talks To Open**

*Friction between Yugoslavia and official US and West European creditors will probably increase at debt-rescheduling talks that begin in Paris on Monday 11, as expected, Western governments balk at implementing the second phase of Belgrade's multiyear rescheduling agreement.*

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~~Some Yugoslav officials have warned that failure to proceed with the existing agreement could lead to serious problems with the West, and they have hinted at a debt moratorium, according to diplomatic reporting.~~ Premier Mikulic assumes that Western support is forthcoming

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Even if creditors accede to Belgrade's demands, they will probably be forced into another grueling round of debt negotiations later this year. Yugoslavia has concealed the extent of its financial problems and, to service its \$19 billion debt, will require \$1 billion in relief in both 1987 and 1988 above that called for in the current agreement.

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Domestic challenges to his leadership will limit Mikulic in any debt talks; his government is still smarting from a recent wave of strikes protesting wage restraints and from frictions with regional leaders. Belgrade will probably tell creditors that further belt-tightening would be difficult to enforce and would jeopardize stability. But Mikulic may try to take greater central control of the economy—even against the wishes of creditors—in a desperate bid to revive it and show that he is in charge.

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The USSR, which has long warned Yugoslavia of excessively close economic ties to the West, may try to exploit Belgrade's strains with creditors by highlighting Western pressure and by offering its own minor trade concessions. The Soviets ultimately would be unable or unwilling, however, to provide the kind of help needed to resolve Yugoslavia's economic problems or to draw it closer to the East.

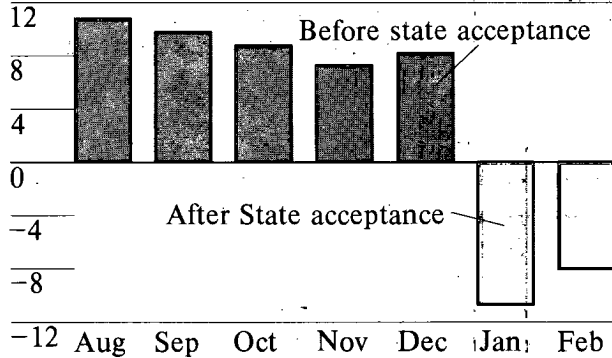
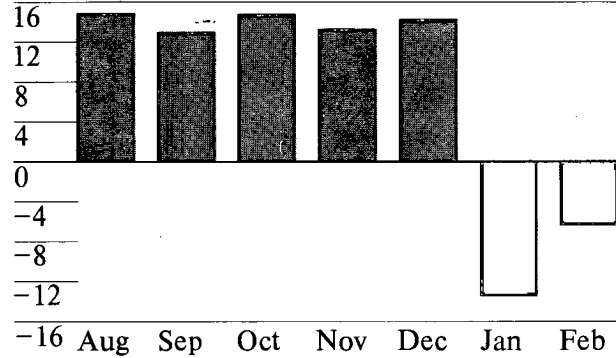
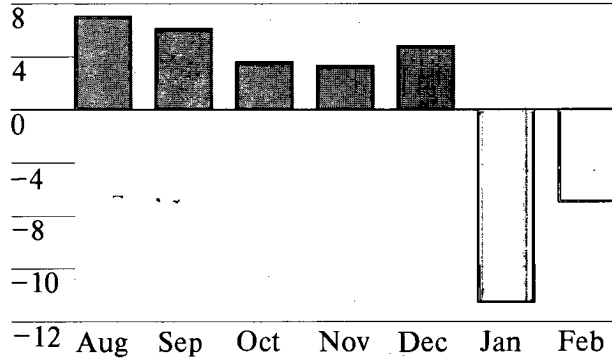
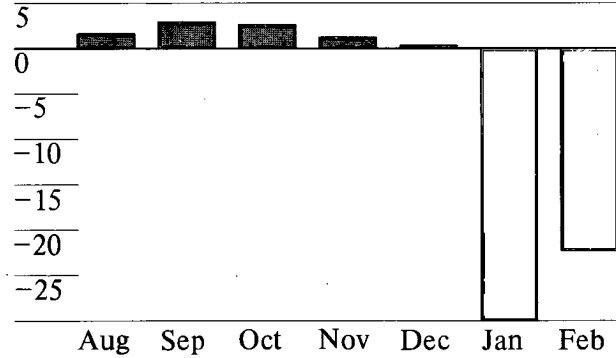
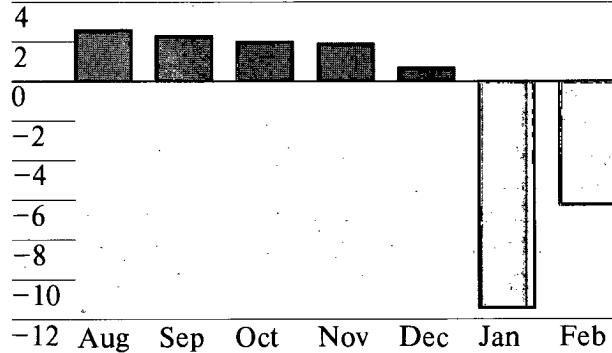
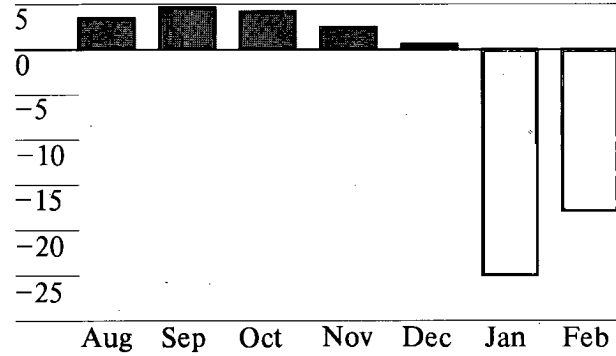
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**USSR: Monthly Production of Selected Products,  
August 1986-February 1987***Percentage change compared with  
the same month the year before.***Metal-Cutting Machine Tools****Computers****Agriculture****Television Sets****Refrigerators****Radios**

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**Special Analysis****USSR:****Crackdown on Poor Quality**WW  
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*The Soviets selectively introduced an ambitious industrial quality control system on 1 January 1987 to help achieve General Secretary Gorbachev's plans to raise the quality and technical level of manufactured goods. The new system is cracking down on poor quality but is generating resistance at the plant level as high rejection rates disrupt production and cut worker bonuses. Faced with continued poor-quality products, slow industrial growth, and worker dissatisfaction, General Secretary Gorbachev may be forced to relax the program, a change that could encourage resistance to his initiatives across the board.*

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The scope and the size of the new system, which the Soviets call State Acceptance, is impressive. According to the Soviet press, the system will employ 25,000 inspectors; most will be retrained plant employees. Although the Soviets have not released exact figures, State Acceptance may cover an estimated 15 percent of all industrial products and nearly a third of the production from the machinery sector.

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Ostensibly, the system will act on behalf of the buyer as it reviews products for compliance with national technical standards and for general, more subjective, measures of quality. According to Soviet legislation, employees of the new system, which operates independently of the enterprise and existing plant quality control staff, have the right to inspect products at any stage of the production process at the plant level and are the ultimate arbiter on matters of quality. This system is similar to—and may have been modeled after—the separate program used for many years by the military to ensure the quality of defense goods.

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**Impacts Negatively on Industry**

State Acceptance has already jolted Soviet industry. ~~Press reports indicate that~~ inspectors rejected and refused shipment of 10 to 20 percent of the products inspected in the last two months. Soviet law mandates that the rejected items be excluded from monthly production figures. A comparison of production reports before and after the new system shows some products were hit especially hard.

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The immediate effects at the plant level were twofold. First, many plant directors and workers did not receive their usual bonus payments for meeting the plan—reducing their total monthly incomes by as much as one-third—and employees had to work overtime without pay to correct deficiencies. Second, industrial performance dropped markedly. In the first two months of this year, civilian industrial production declined to practically the same level as the first two months of last year, and the critical machine-building sector reported far below its 1986 level.

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### **Leadership Commitment Tested**

Moscow may not have been surprised by these effects. Circumstantial evidence suggests the leadership introduced State Acceptance to discipline industry in a manner similar to the antialcohol campaign. In a major speech on quality control in mid-November, Gorbachev admonished industrial workers that those who produce “garbage” should not be rewarded.

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The leadership presumably hopes that the disruption caused by the program’s initial shock will prove to be temporary and that the imposition of higher standards will over time spur economic growth. Indeed, in a speech earlier this month, Premier Ryzhkov stated that “harsh measures” aimed at improving the “technical level and quality of production” were the only way to achieve sustained economic growth.

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Moscow also appears to recognize that the long-term solution of the quality problem requires more than punitive administrative measures like State Acceptance, but there is little evidence of a consensus on what kind of economic levers, if any, will be introduced to deal with the problem. Meanwhile, Gorbachev seems to have leadership backing to continue the program for the time being.

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This issue could become more contentious, however, if labor discontent over reduced earnings increases and production plans remain unfulfilled. Gorbachev will then face the difficult political choice of either relaxing the quality program, perhaps giving foot-dragging economic leaders an opening to increase resistance to other economic reforms, or holding firm and risking an erosion of his political support, which may already be weakened from controversies over his campaign for broad political and economic restructuring.

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